

Establish a new retirement plan and unlock Substantial Tax Savings with SECURE Act 2.0

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Starting a retirement plan for your employees has never been easier or more affordable. SECURE Act 2.0 provides generous tax credits designed to make it simpler for small and medium-sized businesses like yours to offer competitive retirement benefits while reducing costs significantly. Companies that start new retirement plans are may be eligible for substantial tax credits for 5 years.

Three Tax Credits You Can Take Advantage of:

- **Startup Plan Cost Tax Credit**
 - Who Qualifies: Employers with 50 or fewer employees can claim 100% of eligible startup costs, capped at \$5,000 per year for three years. For businesses with 51–100 employees, the credit is 50% of eligible costs, capped at \$5,000 annually.
 - What's Covered: Setup costs, administration, and employee education expenses.
- **Employer Contribution Tax Credit**
 - Earn up to \$1,000 per employee annually for employer contributions made to employees earning \$100,000 or less.
 - For Employers with 50 or Fewer Employees: Receive a full 100% credit in Years 1 and 2, phasing down to 25% by Year 5.
 - For Employers with 51–100 Employees: Credits are adjusted based on the number of employees above 50.
- **Automatic Enrollment Tax Credit**
 - Add or maintain an automatic enrollment feature to your plan and receive a \$500 credit per year for the first three years.

How the Credits Work Together

These three tax credits are separate but can be used together to maximize savings. Your business may qualify for all three credits, significantly reducing the overall cost of starting and maintaining a retirement plan. By taking advantage of these new tax incentives, your business can save money and provide valuable retirement benefits to employees. If your plan ends after receiving these credits, there is no requirement to repay them.

Example: Business with 30 Employees starts a retirement plan

A qualified employer with 30 employees, started a new 401k Plan with automatic enrollment and a match contribution. 20 of those employees made less than \$100,000, participated in the new 401k plan and received match contributions of at least \$1,000.

- **Start-up Plan Cost Tax Credit:**
\$250 per employee capped at \$5,000 = \$5,000 for 3 years
- **Employer Contribution Tax Credit:**
\$1,000 for each of the 20 employees receiving match = \$20,000 for 5 years
- **Automatic Enrollment Tax Credit:**
\$500 for 3 years
- **TOTAL Credit = \$25,500 per year for the first two years. Reduced Employer Contribution credit will apply in years 3, 4, & 5.**

For any questions regarding this matter or any retirement-related inquiries, please feel free to contact Johnson O'Connor Retirement Plan Services.

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